

AUG 29 1997



Inter Office Memo

TO: RSM's

FROM: Don Knoll

SUBJECT: Circle K

DATE: August 26, 1997

As most of you are aware, we have been in the process for the last year and a half of renegotiating our contractual agreement with Circle K, from a display and merchandising standpoint. The reason for the change was based on several factors :

- PM demanding more presence.
- A change in Circle K's philosophy, which greatly diminished the cigarette PDI presence over the sales counter, shifting it to the backbar area and also, their desire to create an image that they sell cartons, as well as packs.

Our new contract is attached and is in affect until July of the year 2000. Listed below are the key elements/changes to our contract : (See Attachment I)

- Contract dollars remain as is for the life of the contract.
- RJR is no longer the supplier of fixtures to Circle K. Instead, PM, BAT and ourselves have all contributed to the new program based on share of market and level of presence.
- All current overheads will be removed and replaced by two mini overheads, one over each register. These units will have no tobacco or anti-tobacco advertising, including such products as Nicoderm or Nicorette. (See Attachment II)
- RJR Full Price display move from primary register to secondary with PM moving to the primary. BAT will share the second register with us. All display for all three companies are lighted. (See Attachment II, III, IV)
- RJR's share of Full Price now based on our total share of market in Circle K.
- There will be 4 (two-tiered, 3 wide) displays for Savings, one each for Doral Austin, Basic and GPC. RJR has 50% of the Savings facings. (See Attachment II, III, IV)
- Current promotional towers are replaced by two promotional dumpbins in self-service stores, one in front of each register. These two dumpbins are for all three companies to share. However, it is anticipated that we will have almost exclusive use of the dumpbin in front of the secondary register because of our promotional end quarter. (See Attachment II)

Note -- Marlboro will not be on the front of the second dumpbin as pictured.

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- A backbar carton/package fixture will replace the current backbar package fixture. The new fixture has carton graphics for the purpose of letting the consumer know they are in the carton business. We have our total s.o.m. of the carton facings based on size of fixture. (See Attachment II for the fixtures, Attachment V for the sign layout, based on size of fixture and Attachment VI for the carton facings, based on size of fixture.)

The changes will take place in two phases :

- Phase I will consist of removal of the advertising from our overhead, placement of new counter display and change in the advertising on the backbar package fixture. This phase will **begin the last week of August**. (See Attachment VII for change to backbar fixture and layout of carton facings.)
- Phase II will consist of the change from our overheads to the new mini's, the installation of the new dumpbins and the backbar carton / pack fixture. This phase will begin as listed below :

<u>October</u>	<u>November</u>	<u>December</u>
Northwest	Gulfcoast	Central
Arizona		Southeast
Western		
Florida		

Note -- All stores are scheduled to be completed by March of 98.

In addition to the changes to their presence and merchandising for cigarettes, you will also see a heavy emphasis placed on cartons in the immediate future. At this time, it is strategy to bring in new customers and defend their business from the continued growth of Cigarette Stores. They ran a test in Southern California and it proved very successful, so they are taking their carton price down as low as it needs to be to compete in each marketplace.

As far as being prepared for the future, they have set their program up to easily convert to the pending new regulations with the exception of the counter display. At this time, I can't give you any insight on where they may go, but I can tell you that Circle K is very committed to cigarettes and will do what it takes to comply with the regulation, while at the same time, continue to grow / maintain their business.

I hope this gives you what you need to know about Circle K at this time. Your DM's / RM's will be getting a similar package ASAP. If I can be of any further assistance or help, please call.

Attachments

cc: AVP's
JVM

P.S. Sorry for the delay, but I just received this information from Circle K. Also, if you do not have any Circle K's in your region or area, treat as info only.

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